

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

GENERAL RATE ADJUSTMENTS IN	)	
GAS RATES OF COLUMBIA GAS OF	)	CASE NO. 9003
KENTUCKY, INC.	)	

O R D E R

IT IS ORDERED that Columbia Gas of Kentucky, Inc., ("Columbia") shall file an original and 10 copies of the following information with the Commission by June 22, 1984. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to insure that it is legible. Where information requested herein has been provided along with the original application, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. When applicable, the information requested herein should be provided for total company operations and jurisdictional operations, separately. If neither

the requested information nor a motion for an extension of time is filed by the stated date, the case may be dismissed.

1. In Exhibit 17, page 3 Columbia refers to austerity measures implemented in an effort to reduce costs, for each such measure provide the following information:

a. A complete explanation of each action taken including copies of any reports recommending such action.

b. The date each action was implemented.

c. The expected savings to be realized by Columbia from each action.

d. An explanation of how the expected savings have been reflected in this case.

2. Provide a detailed explanation of the necessity for the increase in Account 376-Mains of \$2,086,762 during the test period as shown in the response to PSC request of April 2, 1984, Item 11a.

3. Item 18b of Columbia's response to the PSC's request of April 2, 1984, contains a comparative analysis of operation and maintenance expenses for the years 1978 through the test year. This analysis indicates that Columbia's total A & G expense increased 11.8 percent during the test period and has increased approximately 10-12 percent per year for the past 5 years. Provide an explanation of the reasons that Columbia's A & G expense has increased at this rate and of all steps taken to reduce this increase.

4. Provide the amount of revenue generated by Transportation of Gas and reported in Account 489 for each month available since

the end of the test period. Provide this data for each month as it becomes available up to the month of the hearing for this case.

5. Provide the amount of gas Columbia has contracted to transport for other firms for the calendar year 1984 and the anticipated revenue to be derived based upon Columbia's currently effective transportation rate.

6. Provide the calculations and assumptions in support of the projected sales volume of 2,539,200 mcf of transportation gas shown in Exhibit 8 Schedule 1.

7. On page 9 of Mr. C. E. Clay's prepared direct testimony reference is made to the reduction in the industrial classification. It is stated that industrial transportation volumes increased in such a magnitude so as to more than offset the decline in tariff sales. Provide the following concerning these statements.

a. Provide the calculations and assumptions in support of the 2,055,700 mcf of transportation volumes for 1984.

b. Provide an explanation of the relationship, if any exists, between the revenues reported in Account 489, Transportation of Gas and the industrial transportation volumes referred to by Mr. Clay in his testimony.

8. Provide the calculations used to determine Columbia's proposed adjustment to amortize the uncollectible accounts balance of Johnson County Gas Company and an explanation of the determination of the proposed 3 year amortization period.

9. Provide a description and explanation of the Porta Processor Meter Reading System referred to in adjustment number 4 of Exhibit 2. In addition include an explanation of the benefits both long and short-term expected to be derived by the implementation of this system.

10. Provide income statements for the test period showing actual operations based on the latest effective rates in effect at the end of the test period and actual mcf sales and for actual operations based on the latest effective rates (April 1, 1984) and actual mcf sales. Show all calculations.

11. Provide an explanation of the criteria used by Columbia to determine the amount of wage increases to be given its management and other non-union employees. Provide a copy of the guidelines.

12. Has Columbia experienced any difficulty in attracting and/or retaining qualified employees at its current compensation levels (including salaries, wages, fringe benefits, etc.). Describe any difficulties experienced.

13. Provide the percentage of employee benefits for all employees to total wages for the test period and the previous 5 years.

14. Are labor contracts negotiated by Columbia's parent company or locally by Columbia? If negotiated by the parent, what input does Columbia of Kentucky have in the negotiations?

15. In Exhibit 3, Schedule 3, Columbia has broken its depreciation adjustment down into 2 separate parts. Columbia as a part of its adjustment has proposed to include depreciation

expense on \$1,410,291 of plant classified as construction work in process as of December 31, 1983. Provide a detailed explanation of this proposal. Include all information available to support that the plant was completed and in service at test period end.

16. Provide a breakdown of the estimated rate case expenses expected to be incurred in this proceeding. In addition, provide a breakdown of the rate case expenses incurred by Columbia in connection with Case No. 8738.

17. Provide copies of any take or pay contracts for purchased gas that Columbia has entered into or operated under during the test period and the previous 3 years.

18. Have any of these contracts been renegotiated to eliminate take or pay clauses? If not, what efforts are being made to resolve or renegotiate these contracts?

19. Given the projected reduction in gas sales, has Columbia made any reduction in the amount of prepaid gas that will be required? Why or why not?

20. Provide for each month of the test period the mcf balances in prepaid gas from each of Columbia's suppliers.

21. Provide for the test period the number of mcfs of purchased gas that Columbia was required to purchase under take or pay clauses and were not used. Provide a breakdown of the expenses associated with any unused gas and an explanation of how it is accounted for.

22. Provide a description of Columbia's practices and policies concerning meter reading.

23. Provide the criteria used by Columbia in determining when to accrue an allowance for funds used during construction ("AFUDC").

24. Provide the balance in CWIP eligible for AFUDC at the end of the test period.

25. Provide a description of the services performed by Columbia's parent or any subsidiary of the Columbia system and the services handled by Columbia of Kentucky. For those services provided by the parent company or other subsidiary provide an explanation of when and how the services are billed to Columbia, the method used to bill or assign the amounts charged to Columbia. Indicate what control Columbia of Kentucky has over the services provided and the amount charged.

26. Provide a detailed breakdown of the expenses of \$331,746 associated with the new general headquarters building as shown in Exhibit 2, Schedule 2, adjustment 12.

27. Provide the calculations and assumptions used to determine the \$320,664 level of property taxes for 1984 as shown in Exhibit 4, Schedule 1.

28. Provide a schedule of overtime paid by Columbia for the test year and the 5 preceding calendar years. Provide this schedule by employee classification.

29. Provide a breakdown of Columbia's propane plant facilities included in its rate base in this case and the fuel inventory associated with these facilities. Provide a description of the use of these facilities during the test period and their anticipated future use.

30. Provide the calculations and an explanation of Columbia's method of establishing its 1984 net charge-off budget of \$378,000 as shown in Exhibit 8 of the detailed of workpapers.

31. In response to Item 2a of the Commission's data request of April 2, 1984, Columbia reports total annualized cost of long term debt of \$131,816 for the test period. In response to item 5(b) of the same request Columbia reports annualized interest of \$107,772. Provide a reconciliation of this difference.

32. Provide a detailed description of Columbia's gas purchasing policies, and address in particular Columbia's objectives and policies regarding flexibility of supply as opposed to security of supply. In addition, describe in detail the efforts made by Columbia to procure locally produced gas and the results of these efforts.

33. Provide the calculations, assumptions and the workpapers in support of Columbia's temperature normalization adjustment.

34. Columbia in its schedule of workpapers, Exhibit 26 regarding credits to cost of service had eliminated from Account 478, Forfeited Discounts those charges not actually received during the test period.

a. Provide an explanation of Columbia's reason for eliminating these discounts from revenue.

b. Provide a breakdown of this account for the 3 years preceding the test year in the same format as provided for the test year.

c. Were any of these penalties that were imposed in prior years collected during the test year? If so, provide a schedule of the penalties collected.

35. In reference to the prepared testimony of W. L. Payne (page 3, line 19) and quoted as follows, "The lead-lag method of calculating cash working capital identifies the timing of actual cash disbursements necessary to provide service to the utility's customers and compares such with the timing of actual utility service receipts," explain in detail the necessity of including prepaid nominated gas costs (Exhibit 5, Schedule 10, Sheet 1, Line 15) in working capital requirements.

36. If it is necessary to include prepaid nominated gas in working capital requirements and in reference to the direct testimony of W. W. Burchett, Jr. (page 3, line 21) quoted as follows, "The Winter Service Nomination is prepaid during the summer months and booked to expense as this gas is physically delivered during the heating season," explain in detail the necessity of including all test period gas purchase costs (Exhibits 5, Schedule 11, Sheet 1, Line 1) in the lead-lag study as requiring working capital in addition to prepaid nominated gas. Also, provide the total cost of, the average daily cost of, the average lead or lag days of, and the working capital claim associated with prepaid nominated gas for the test period.

37. There is a high linear mathematical correlation (rho of 93.34%) between Prepayments, Account 165, and Accounts Payable to Associated Companies, Account 234, for the 13 months ended December 1983, included in the response to Item 9 of the Commis-



sion's Order dated April 2, 1984. Provide all journal entries (and dates) for the test period which have the constructive effect of debiting Prepaids, Account 165, and crediting Accounts Payable to Associated Companies, Account 234. Also, provide the end of month amounts included in account 234, Accounts Payable to Associated Companies, constructively associated with prepayments of nominated gas for the 13 months ended December 1983.

38. Provide copies of contracts between Columbia Transmission and nonaffiliated distributors supporting that the current practice of winter service nomination is based upon an arms-length transaction.

39. Provide for the Columbia Gas of Kentucky pension plan the following:

a. The 1983 amounts of prior and past service costs, the dates these were incurred, the amortization period for each, and the actuarial growth rate assumed.

b. The dividend and/or interest rate for 1983 of the pension fund.

c. The assumed rates of return used in determining the actuarial present values of vested and nonvested accumulated plan benefits of 1983.

d. The actuarial gains and/or losses for 1983. The method of "averaging" these amounts, and time periods for "averaging" these amounts.

e. The nature and effect on pension costs of significant matters affecting comparability of pension costs for 1981, 1982, and 1983, such as changes in accounting methods (actuarial cost

method, amortization of past and prior service cost, treatment of actuarial gains and losses, etc.) or adoption of amendment of a plan.

40. Furnish billing analysis with volumes of gas sales for the year ended December 31, 1983, adjusted for transfers and normalized temperatures with revenues reflecting proposed rates to become effective May 20, 1984. (As per Exhibit 8, Schedule No. 4, Sheet No. 1 of 4 through Sheet No. 4 of 4.)

41. Refer to Exhibit 1, Schedule No. 3, Sheet No. 2, footnote 2/ and Exhibit No. 2, Schedule 2, Sheet No. 5, footnotes 2/ and 3/, advise why change in contract demand (Rate Schedule CDS) is added in these two schedules, while in the P.G.A. filings this item is deducted.

42. Provide a copy of the Credit Week report of March 28, 1983, referred to on page 3, line 48, of Mr. O'Donnell's prefiled testimony.

43. Provide a copy of the Standard & Poor's report of March 14, 1983, referred to on page 4, line 13, of Mr. O'Donnell's prefiled testimony.

44. Provide a copy of the Credit Week report of February 7, 1983, referred to on page 5, line 18, of Mr. O'Donnell's prefiled testimony.

45. What are the most currently available pre-tax interest coverage ratios for the Columbia Gas System and the Moody's Gas Distribution Companies, listed on schedule 3, page 2, of Mr. O'Donnell's prefiled testimony.

46. Reconcile the difference between the amount of long-term debt for the 12/31/83 test year shown in item 1, page 1 and the amount outstanding of long-term debt shown in item 2(a), page 2, of the staff request dated 4/2/84.

47. Specify any reductions in sales to industrial or commercial customers that will occur in 1984 and/or 1985 which are quantifiable without the use of estimations or projections.

48. Do the adjusted projected sales volumes include any adjustment for reduction in demand specifically attributable to the requested increase in rates?

a. If so, identify amount of this adjustment.

b. If so, provide all support materials, back up and work papers used to justify and/or compute such an adjustment.

49. If available, provide the total adjusted projected sales volume from Case No. 8738, and the actual sales volume for the period covered by this projection.

50. If available, provide any projections of new customer additions and customer attrition for residential and commercial service made in Case No. 8738, and the actual figures for the period covered by these projections.

Done at Frankfort, Kentucky, this 8th day of June, 1984.

PUBLIC SERVICE COMMISSION

  
For the Commission

ATTEST:

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Secretary